

JOE BARTON
SIXTH DISTRICT, TEXAS

2109 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-4306
TELEPHONE: (202) 225-2002
FAX: (202) 225-3052
www.JoeBarton.house.gov



CHAIRMAN
COMMITTEE ON
ENERGY AND COMMERCE
TELEPHONE: (202) 225-2927
www.house.gov/commerce

Congress of the United States
House of Representatives
Washington, DC 20515-4306
March 9, 2007

Mr. Sam R. Jones
President and CEO
Electric Reliability Council of Texas
ERCOT Austin
Executive and Administration Center
7620 Metro Center Drive
Austin, TX 78744

Dear Mr. Jones:

I am writing to solicit the views of the Electric Reliability Council of Texas (ERCOT) on the recently announced leveraged buyout of Texas Utilities Corporation (TXU) by Kohlberg Kravis Roberts & Co., Texas Pacific Group and Goldman Sachs, among others. I understand that this transaction is worth about \$45 billion and that it may be completed this year. Because TXU is in ERCOT, I am seeking reassurance that this proposed deal receives the scrutiny by ERCOT and the public that it deserves, and that the interests of ratepayers will be adequately protected.

I want to ensure first and foremost that the leveraged buyout by KKR is in the best interest of the ratepayers of Texas. If New York investors benefit as well, all the better. I will not, however, stand idly by while investors from New York or anywhere else benefit on the backs of the Texas electricity grid or the Texas ratepayers.

As Ranking Member of the Committee on Energy and Commerce, I know the importance to the nation of adequate, reliable supplies of electricity at affordable prices. ERCOT was created to function as an independent, intra-state regional coordinator for the efficient delivery of the lowest priced electricity available. Over the course of a few short years, the price paid by Texans for electricity has gone from among the most reasonable in the country to among the top 5 most costly areas of America. The cost of power in Texas now ranks on average only slightly behind that of New York and California. Texas deserves better. Frankly, I think this performance calls into question whether or not ERCOT has out-lived its viability. The realities of today's electricity marketplace may call for an opening of ERCOT to a more robust interstate system, and to jurisdiction

ARLINGTON OFFICE:
6001 WEST I-20, SUITE 200
ARLINGTON, TX 76017
(817) 543-1000
1 (877) 236-2833 (6TH DISTRICT ONLY)

CROCKETT OFFICE:
P.O. Box 958
CROCKETT, TX 75835
(936) 544-8488

ENNIS OFFICE:
2106A WEST ENNIS AVENUE
ENNIS, TX 75119
(972) 875-8488

of the same regulatory authority that regulates other interstate electricity delivery throughout the United States.

I had always believed that Texas protected its ratepayers and thus, was protective of its privileges related to Federal Energy Regulatory Commission (FERC) jurisdiction, ERCOT and State control. As a Member of Congress representing a district served by TXU, I want to ensure that the interests of my constituents are positively served by this buyout.

When the ERCOT region's independence from FERC jurisdiction is used as a weapon against ratepayers to prevent full review of such a large transaction, then it is time to revisit the issue of ERCOT's independence. If it requires that ERCOT lose its independence and become subject to regulation by FERC in order that this transaction receive the scrutiny it deserves, then so be it. It can be done with a few small changes to Federal law.

Before I propose such a course in Congress, I want to ensure that ERCOT is thoroughly reviewing this transaction. Accordingly, please answer the following questions.

1. How is this buyout affecting customers in Texas?
2. The purchasers have committed not to build eight of the 11 coal-fired power plants that TXU had proposed to build. Given this, will the new TXU be able to provide adequate power to the Texas market? Will TXU be able to meet load growth? Are others in the state prepared to make up any short fall by TXU in meeting load growth or must power be imported from out of state over new (or existing) interconnections?
3. Is there sufficient renewable energy development in the state to make up for the cancellation of the eight coal-fired units if the transaction is completed?
4. Is there sufficient nuclear energy development in the state to make up for the cancellation of the eight coal-fired units if the transaction is completed? For resource planning purposes, when are you counting on new nuclear plants entering service and actually putting power on the Texas grid?
5. What will this transaction mean for electricity rates over the course of the next 5, 10, 15 and 20 years, respectively?
6. Have recent electric cost increases had an impact upon the manufacturing base of Texas? As costs go up, will Texas become that much less competitive with other States and nations as a host for energy-intensive manufacturing?
7. What do you expect the cancellation of the eight coal plants to mean for natural gas consumption in the electric generating sector, and for natural gas prices in general in Texas?

Mr. Sam R. Jones

Page 3

8. Will the cancellation of the eight new plants mean that older, less efficient and dirtier plants will be kept on-line longer since they will remain economical without the competition from new plants?
9. Without the eight new plants, will ERCOT be able to maintain adequate reserve margins? Please explain.

I would appreciate your answers to these questions as soon as possible, but no later than March 30, 2007. Thank you very much for your attention to this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joe Barton". The signature is stylized with a large, looped "B" and a cursive "Joe".

Joe Barton
Member of Congress